

**DISTRIBUTIONAL EFFECTS OF THE  
CONFERENCE AGREEMENT FOR H.R. 2488**

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

August 5, 1999

JCX-62-99

**DISTRIBUTIONAL EFFECTS OF THE  
CONFERENCE AGREEMENT FOR H.R.2488**

**Calendar Year 2000**

| INCOME<br>CATEGORY (2)          | CHANGE IN<br>FEDERAL<br>TAXES (3) |             | FEDERAL TAXES (3)<br>UNDER<br>PRESENT LAW |               | FEDERAL TAXES (3)<br>UNDER<br>PROPOSAL |               | Effective Tax Rate (4) |              |
|---------------------------------|-----------------------------------|-------------|---|---------------|--|---------------|------------------------|--------------|
|                                 | Millions                          | Percent     | Billions                                  | Percent       | Billions                               | Percent       | Present<br>Law         | Proposal     |
|                                 |                                   |             |   |               |  |               | Percent                | Percent      |
| Less than \$10,000.....         | -\$7                              | -0.1%       | \$6                                       | 0.4%          | \$6                                    | 0.4%          | 6.5%                   | 6.5%         |
| 10,000 to 20,000.....           | -69                               | -0.2%       | 32  | 2.1%          | 32                                     | 2.1%          | 8.1%                   | 8.1%         |
| 20,000 to 30,000.....           | -114                              | -0.1%       | 81  | 5.3%          | 81                                     | 5.2%          | 15.4%                  | 15.4%        |
| 30,000 to 40,000.....           | -157                              | -0.2%       | 102                                       | 6.7%          | 102                                    | 6.6%          | 17.8%                  | 17.8%        |
| 40,000 to 50,000.....           | -114                              | -0.1%       | 120                                       | 7.9%          | 119                                    | 7.8%          | 19.6%                  | 19.5%        |
| 50,000 to 75,000.....           | 179                               | 0.1%        | 270                                       | 17.8%         | 270                                    | 17.6%         | 21.6%                  | 21.5%        |
| 75,000 to 100,000.....          | 738                               | 0.3%        | 221                                       | 14.5%         | 221                                    | 14.4%         | 24.2%                  | 24.0%        |
| 100,000 to 200,000.....         | 2,917                             | 1.0%        | 304                                       | 20.1%         | 307                                    | 20.0%         | 26.3%                  | 26.1%        |
| 200,000 and over.....           | 13,069                            | 3.4%        | 382                                       | 25.2%         | 395                                    | 25.8%         | 29.0%                  | 28.1%        |
| <b>Total, All Taxpayers....</b> | <b>\$16,441</b>                   | <b>1.1%</b> | <b>\$1,518</b>                            | <b>100.0%</b> | <b>\$1,534</b>                         | <b>100.0%</b> | <b>22.2%</b>           | <b>22.0%</b> |

**Source: Joint Committee on Taxation**

Detail may not add to total due to rounding.

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- (1) Includes: individual (15% rate) rate reduction, dependent care credit expansion, AMT credit limitation repeal, deductible IRA provisions, student loan interest deduction, elderly caretaker exemption, capital gains, and self-employed health insurance deduction.
  - (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
  - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

**DISTRIBUTIONAL EFFECTS OF THE  
CONFERENCE AGREEMENT FOR H.R.2488**

**Calendar Year 2001**

| INCOME<br>CATEGORY (2)          | CHANGE IN<br>FEDERAL<br>TAXES (3) |              | FEDERAL TAXES (3)<br>UNDER<br>PRESENT LAW |               | FEDERAL TAXES (3)<br>UNDER<br>PROPOSAL |               | Effective Tax Rate (4) |              |
|---------------------------------|-----------------------------------|--------------|---|---------------|--|---------------|------------------------|--------------|
|                                 | Millions                          | Percent      | Billions                                  | Percent       | Billions                               | Percent       | Present<br>Law         | Proposal     |
|                                 |                                   |              |   |               |  |               | Percent                | Percent      |
| Less than \$10,000.....         | -\$21                             | -0.3%        | \$7                                       | 0.4%          | \$6                                    | 0.4%          | 6.8%                   | 6.8%         |
| 10,000 to 20,000.....           | -406                              | -1.2%        | 33  | 2.1%          | 32                                     | 2.1%          | 8.0%                   | 7.9%         |
| 20,000 to 30,000.....           | -1,194                            | -1.4%        | 82  | 5.2%          | 81                                     | 5.2%          | 15.4%                  | 15.1%        |
| 30,000 to 40,000.....           | -1,823                            | -1.7%        | 105                                       | 6.7%          | 103                                    | 6.6%          | 17.8%                  | 17.5%        |
| 40,000 to 50,000.....           | -1,889                            | -1.6%        | 121                                       | 7.7%          | 119                                    | 7.7%          | 19.4%                  | 19.1%        |
| 50,000 to 75,000.....           | -4,704                            | -1.7%        | 280                                       | 17.8%         | 275                                    | 17.8%         | 21.5%                  | 21.1%        |
| 75,000 to 100,000.....          | -3,756                            | -1.6%        | 232                                       | 14.8%         | 228                                    | 14.7%         | 24.1%                  | 23.6%        |
| 100,000 to 200,000.....         | -3,293                            | -1.0%        | 319                                       | 20.3%         | 316                                    | 20.4%         | 26.3%                  | 25.8%        |
| 200,000 and over.....           | -3,713                            | -0.9%        | 392                                       | 25.0%         | 389                                    | 25.1%         | 29.1%                  | 28.0%        |
| <b>Total, All Taxpayers....</b> | <b>-\$20,800</b>                  | <b>-1.3%</b> | <b>\$1,571</b>                            | <b>100.0%</b> | <b>\$1,550</b>                         | <b>100.0%</b> | <b>22.2%</b>           | <b>21.7%</b> |

**Source: Joint Committee on Taxation**

Detail may not add to total due to rounding.

- 
- (1) Includes: individual (15% rate) rate reduction, dependent care credit expansion, AMT credit limitation repeal, deductible IRA provisions, student loan interest deduction, elderly caretaker exemption, capital gains, and self-employed health insurance deduction.
  - (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
  - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

**DISTRIBUTIONAL EFFECTS OF THE  
CONFERENCE AGREEMENT FOR H.R.2488**

**Calendar Year 2002**

| INCOME<br>CATEGORY (2)          | CHANGE IN<br>FEDERAL<br>TAXES (3) |              | FEDERAL TAXES (3)<br>UNDER<br>PRESENT LAW |               | FEDERAL TAXES (3)<br>UNDER<br>PROPOSAL |               | Effective Tax Rate (4) |              |
|---------------------------------|-----------------------------------|--------------|---|---------------|--|---------------|------------------------|--------------|
|                                 | Millions                          | Percent      | Billions                                  | Percent       | Billions                               | Percent       | Present<br>Law         | Proposal     |
|                                 |                                   |              |   |               |  |               | Percent                | Percent      |
| Less than \$10,000.....         | -\$24                             | -0.4%        | \$7                                       | 0.4%          | \$7                                    | 0.4%          | 7.0%                   | 6.9%         |
| 10,000 to 20,000.....           | -440                              | -1.3%        | 34  | 2.1%          | 33                                     | 2.1%          | 8.1%                   | 8.0%         |
| 20,000 to 30,000.....           | -1,448                            | -1.7%        | 85  | 5.2%          | 84                                     | 5.2%          | 15.4%                  | 15.1%        |
| 30,000 to 40,000.....           | -2,224                            | -2.0%        | 109                                       | 6.6%          | 106                                    | 6.6%          | 17.7%                  | 17.3%        |
| 40,000 to 50,000.....           | -2,201                            | -1.8%        | 123                                       | 7.5%          | 121                                    | 7.5%          | 19.3%                  | 19.0%        |
| 50,000 to 75,000.....           | -5,432                            | -1.9%        | 290                                       | 17.8%         | 285                                    | 17.7%         | 21.4%                  | 20.9%        |
| 75,000 to 100,000.....          | -4,325                            | -1.8%        | 241                                       | 14.7%         | 236                                    | 14.7%         | 24.0%                  | 23.5%        |
| 100,000 to 200,000.....         | -3,799                            | -1.1%        | 339                                       | 20.8%         | 336                                    | 20.8%         | 26.3%                  | 25.7%        |
| 200,000 and over.....           | -4,932                            | -1.2%        | 408                                       | 24.9%         | 403                                    | 25.0%         | 29.1%                  | 27.6%        |
| <b>Total, All Taxpayers....</b> | <b>-\$24,826</b>                  | <b>-1.5%</b> | <b>\$1,635</b>                            | <b>100.0%</b> | <b>\$1,610</b>                         | <b>100.0%</b> | <b>22.2%</b>           | <b>21.6%</b> |

**Source: Joint Committee on Taxation**

Detail may not add to total due to rounding.

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- (1) Includes: individual (15% rate) rate reduction, dependent care credit expansion, AMT credit limitation repeal, deductible IRA provisions, student loan interest deduction, elderly caretaker exemption, capital gains, and self-employed health insurance deduction.
  - (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable social security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
  - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.

**DISTRIBUTIONAL EFFECTS OF THE  
CONFERENCE AGREEMENT FOR H.R.2488**

**Calendar Year 2003**

| INCOME<br>CATEGORY (2)          | CHANGE IN<br>FEDERAL<br>TAXES (3) |              | FEDERAL TAXES (3)<br>UNDER<br>PRESENT LAW |               | FEDERAL TAXES (3)<br>UNDER<br>PROPOSAL |               | Effective Tax Rate (4) |              |
|---------------------------------|-----------------------------------|--------------|---|---------------|--|---------------|------------------------|--------------|
|                                 | Millions                          | Percent      | Billions                                  | Percent       | Billions                               | Percent       | Present<br>Law         | Proposal     |
|                                 |                                   |              |   |               |  |               | Percent                | Percent      |
| Less than \$10,000.....         | -\$35                             | -0.5%        | \$7                                       | 0.4%          | \$7                                    | 0.4%          | 7.2%                   | 7.1%         |
| 10,000 to 20,000.....           | -770                              | -2.2%        | 34  | 2.0%          | 34                                     | 2.0%          | 8.1%                   | 7.9%         |
| 20,000 to 30,000.....           | -2,484                            | -2.8%        | 88  | 5.1%          | 85                                     | 5.1%          | 15.3%                  | 14.9%        |
| 30,000 to 40,000.....           | -3,734                            | -3.3%        | 113                                       | 6.6%          | 109                                    | 6.5%          | 17.6%                  | 17.0%        |
| 40,000 to 50,000.....           | -3,964                            | -3.1%        | 127                                       | 7.4%          | 123                                    | 7.4%          | 19.3%                  | 18.6%        |
| 50,000 to 75,000.....           | -9,366                            | -3.1%        | 301                                       | 17.7%         | 292                                    | 17.5%         | 21.3%                  | 20.5%        |
| 75,000 to 100,000.....          | -7,240                            | -2.8%        | 254                                       | 14.9%         | 247                                    | 14.8%         | 23.9%                  | 23.1%        |
| 100,000 to 200,000.....         | -5,864                            | -1.6%        | 356                                       | 20.9%         | 351                                    | 21.1%         | 26.3%                  | 25.5%        |
| 200,000 and over.....           | -5,561                            | -1.3%        | 423                                       | 24.8%         | 417                                    | 25.1%         | 29.2%                  | 27.3%        |
| <b>Total, All Taxpayers....</b> | <b>-\$39,019</b>                  | <b>-2.3%</b> | <b>\$1,703</b>                            | <b>100.0%</b> | <b>\$1,664</b>                         | <b>100.0%</b> | <b>22.2%</b>           | <b>21.4%</b> |

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- (1) Includes: individual (15% rate) rate reduction, dependent care credit expansion, AMT credit limitation repeal, deductible IRA provisions, student loan interest deduction, elderly caretaker exemption, capital gains, and self-employed health insurance deduction.
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**Calendar Year 2004**

| INCOME<br>CATEGORY (2)          | CHANGE IN<br>FEDERAL<br>TAXES (3) |              | FEDERAL TAXES (3)<br>UNDER<br>PRESENT LAW |               | FEDERAL TAXES (3)<br>UNDER<br>PROPOSAL |               | Effective Tax Rate (4) |              |
|---------------------------------|-----------------------------------|--------------|---|---------------|--|---------------|------------------------|--------------|
|                                 | Millions                          | Percent      | Billions                                  | Percent       | Billions                               | Percent       | Present<br>Law         | Proposal     |
|                                 |                                   |              |   |               |  |               | Percent                | Percent      |
| Less than \$10,000.....         | -\$36                             | -0.5%        | \$7                                       | 0.4%          | \$7                                    | 0.4%          | 7.1%                   | 7.0%         |
| 10,000 to 20,000.....           | -807                              | -2.3%        | 35  | 2.0%          | 34                                     | 2.0%          | 8.1%                   | 7.9%         |
| 20,000 to 30,000.....           | -2,734                            | -3.0%        | 90  | 5.0%          | 87                                     | 5.0%          | 15.2%                  | 14.8%        |
| 30,000 to 40,000.....           | -4,022                            | -3.5%        | 116                                       | 6.5%          | 112                                    | 6.4%          | 17.6%                  | 17.0%        |
| 40,000 to 50,000.....           | -4,454                            | -3.4%        | 130                                       | 7.3%          | 126                                    | 7.2%          | 19.3%                  | 18.6%        |
| 50,000 to 75,000.....           | -10,452                           | -3.3%        | 314                                       | 17.6%         | 304                                    | 17.5%         | 21.2%                  | 20.4%        |
| 75,000 to 100,000.....          | -8,475                            | -3.2%        | 269                                       | 15.1%         | 260                                    | 15.0%         | 23.9%                  | 23.0%        |
| 100,000 to 200,000.....         | -6,655                            | -1.8%        | 377                                       | 21.1%         | 370                                    | 21.3%         | 26.2%                  | 25.3%        |
| 200,000 and over.....           | -6,092                            | -1.4%        | 445                                       | 25.0%         | 439                                    | 25.2%         | 29.2%                  | 27.1%        |
| <b>Total, All Taxpayers....</b> | <b>-\$43,726</b>                  | <b>-2.5%</b> | <b>\$1,784</b>                            | <b>100.0%</b> | <b>\$1,740</b>                         | <b>100.0%</b> | <b>22.2%</b>           | <b>21.3%</b> |

**Source: Joint Committee on Taxation**

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